



School funding reform 2013-14 and its effect on school meals provision

The Department of Education has now concluded the consultation on the future of school funding and published the funding formula that will be used. Whilst no school funding is specifically 'ring-fenced' for school meal provision, school meal providers may have to revisit how they charge for school meals.

The briefing applies to England only at this time but the issues have implications throughout the UK

Key issues

- Local authorities must delegate all monies to the individual school in the first instance
- Schools Forum can determine a buyback arrangement and de-delegate the money back to the authority in some defined circumstances
- Free School Meal funding is unaffected by this reform but may significantly change with the introduction of Universal Credit

Many authorities currently top slice school funding to provide a range of education related services, often including a contribution to school meals. This allows the in-house caterer to offer a unified service across their authority, with a single pricing structure which doesn't discriminate between schools with large or small meal numbers.

Under the reform, all the monies will go directly to the individual school. The caterer will therefore have to offer meals at full cost unless the authority chooses to directly subsidise provision. For smaller schools a pooled arrangement will remain attractive but for larger schools, it may not be so. (Some authorities such as Bolton and Blackpool explicitly value the provision of a nutritious school meal for young children with significant additional funding)

This briefing centres on the implications for school meals provision. For those interested in the wider funding regime, the document is available to download at <https://www.education.gov.uk/publications/standard/publicationDetail/Page1/DFE-00070-2012>

Changes within the Reform:

Schools receive the bulk of their funding through the DSG (Dedicated Schools Grant). A formula is used to calculate the funding, which has included free school meal numbers and averages £5,000 per pupil. The new arrangements for local authorities have set aims for the allocation of the Schools Block element of the DSG to schools, stated as:

to achieve maximum delegation, meaning that only in exceptional circumstances will funding from the Schools Block be held by the local authority for the provision of central education services;

- a) a significant reduction in the number of factors that local authorities can use in their formulae for allocating funding to schools. The allowable factors are weighted towards pupil characteristics rather than school organisation or premises characteristics;
- b) the explicit requirement that every local authority will publish details of its funding formula and the timeframes within which to operate;
- c) the strengthening of schools forum arrangements to ensure fairer decision-making for all the pupils in the area; and
- d) the enhanced role of the EFA (Education Funding Agency) in funding Academies and upholding the fairness of local decision-making.

The local authority will be able to provide services centrally in three circumstances:

1. Where the maintained schools agree that a service should be provided centrally
2. Historic commitments
3. Statutory functions of the local authority]

The relevant services about which the Schools Forum can make decisions on behalf of maintained schools in a phase are as follows:

- a) allocation of contingencies (see paragraph 10 below);
- b) administration of free school meals eligibility;
- c) insurance;
- d) licenses or subscriptions;
- e) staff costs or supply cover;
- f) support for minority ethnic pupils or underachieving pupils;
- g) behaviour support services; and
- h) library and museum services.

Individual schools are free to pool resources, as they are now, to gain economies of scale in purchasing.

The new arrangements could make significant differences to individual schools so protection arrangements are included in the schools funding formula modelling, with schools losing no more than 1.5% compared to current funding levels at a per pupil level.

Free school meals element within the funding formula

DfE contends that they have always been clear that deprived pupils must attract additional funding. Local authorities will continue to have to target funding at deprived pupils but in order that they do this in a more consistent way this should be based on two indicators only:

- a) free school meals (FSM) data (which could be either straight FSM or Ever 6 as with the Pupil Premium);
- b) IDACI data; or
- c) both.

The IDACI (Income Deprivation Affecting Children Index) bands have now been set as follows:

Band	IDACI score lower limit	IDACI score upper limit
1	0.2	0.25
2	0.25	0.3
3	0.3	0.4
4	0.4	0.5
5	0.5	0.6
6	0.6	1.0

With the advent of Universal Credit, the use of IDACI is likely to replace the absolute FSM number as the basis for allocating both the free school meal monies within the DSG and the additional pupil premium.

Effect on School Meals

Many Authorities currently top slice school funding to provide a range of education related services, often including a contribution to school meals. This allows the in-house caterer to offer a unified service across their Authority, with a single pricing structure which doesn't discriminate between schools with large or small meal numbers.

Under the new system, all the monies will go directly to the individual school. The caterer will therefore have to offer meals at full cost recovery, unless financially supported directly by the host authority.

Caterers will need to establish individual SLA's with each school detailing the individual costs (APSE briefing note 11-22). Many smaller schools will see a rise in meal costs and will have to cover the shortfall from other funds or raise meal prices. One County authority anticipates 131 of its schools will be adversely affected in this way. In extreme cases, the school may be forced to consider the cessation of a school meals service.

By way of example: A caterer charges £2.25 to all schools across the Borough. However a school with 150 daily diners may be able to buy the service elsewhere at £2 per meal whereas a school with 50 daily diners may have to pay £2.50.

The school business manager at the larger school will be aware that they can save money and may seek to buy the service elsewhere. The loss of this business to the in-house caterer will require costs to be reapportioned and force costs up for its remaining customers so it will potentially become less attractive.

Some schools may seek to procure the catering service through a grouping based on geography or church denominational links. If the grouping seeks a competitive procurement exercise, bidders will base that on the collective schools within the group. The headline local authority cost often includes a huge number of additional (often hidden) services which can include cash collection, daily canteen set-up and fixed equipment investment. Care should be taken to ensure that the in-house bid is on a 'like-for-like' basis to ensure its financial competitiveness.

APSE Comment

The funding reform has wider implications for a range of services provided by local authorities for schools. In most cases schools will buy in the services through a traded arrangement and in that respect catering services may be ahead of the game

It should be remembered that price is not the only determinant in the purchase of school meals. A combination of other factors are equally important and should be emphasised including:

- Relationship with the head-teacher and school business manager
- Quality and presentation of the food
- Catering ethos, sustainable , freshly prepared
- Local procurement of food
- Marketing and promotions
- Cashless catering and on-line payment
- Ability to manage staff absence.
- Additional non-food related services
- Investment in facilities

Schools will not seek to change their school meal provider on a regular basis allowing a planned change to be implemented. However time is of the essence and caterers should seek to develop systems for the new financial year to enable individual school costing. The level of financial data will also allow for enhanced management reporting which is a feature of those authorities that excel against the APSE performance networks benchmark.

APSE will continue to highlight those authorities who value the link between diet, health and attainment through additional funding of school meals.

Rob Bailey
Principal Advisor, APSE